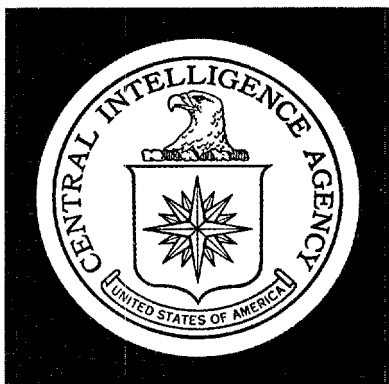


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State Dept. review completed

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[South Vietnam: The Communists again concentrated their shellings in the three southern provinces of I Corps on 19-20 March.

There was little significant ground action anywhere in the country, but the heavy shellings in I Corps were fairly widespread. Da Nang was shelled for the second day in a row. Although civilian casualties have not been alarmingly high, the population is becoming increasingly apprehensive. There is some fear that the shellings could be prolonged and develop in intensity. The road from Da Nang to the provincial capital of Hoi An has already been closed to normal civilian traffic because of sharp fighting south of the city in the past few days.

Saigon was quiet, but small skirmishes continue in surrounding Gia Dinh Province. Maneuvering of main force units in the III Corps area, particularly in the corridors leading to Saigon, indicates that the Communists are determined to maintain a substantial threat to the capital city. [REDACTED]

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Korea: A North Korean agent raid on a fishing port 55 miles south of the Demilitarized Zone on 16 March pointed up weaknesses in South Korea's coastal security.

Under the present system a watch is stationed all along the coast but not in port areas. Penetration by enemy agents is easy, moreover, at ports where heavy fishing boat traffic provides cover. The eight North Koreans who staged the raid at Chunmunjin this week may have been testing the feasibility of hitting more strategic ports farther south, such as Ulsan.

The local militia reacted quickly when alerted by a policeman the North Koreans tried to abduct, killing the agents as they were attempting to reach their boat in a rubber raft. The agent boat escaped, however, even though the South Korean Navy was alerted to its presence just outside the harbor. According to South Korean Prime Minister Chong Il-kwon, the navy often picks up tracks of unidentified boats on radar but does not always follow up these leads.

The prime minister has recommended several changes in the coastal security system as a result of this incident. He wants large fishing boats anchored at harbor entrances to check the identity of boats entering ports, and has recommended that militia alert forces be established in port areas on a full-time basis. He also favors the priority purchase of more coastal radar and fast patrol boats.

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Peru: The removal of major officials of the Central Reserve Bank as a result of a scandal involving the International Petroleum Company (IPC) could have serious economic consequences for the country.

The top management and the board of directors of the bank, a moderate and internationally respected group, were casualties of the same investigation into IPC's financial activities that resulted in the resignations of two cabinet ministers three weeks ago. Most of the bank members involved, as well as the former finance minister, have been implicated in what the investigating committee charges were illegal foreign exchange transactions that allowed the company to transfer funds from Peru.

The military government has declared the central bank to be in a state of reorganization and appointed what the US Embassy describes as a weak board of directors which will be under the direct control of the Ministry of Finance. This action will probably increase capital flight, reduce the inflow of foreign capital, and further depress business confidence and economic activity. Severe economic restrictions, including tighter foreign exchange controls, are expected to follow.

The most serious results, however, might be the loss of the sound economic and financial advice of the dismissed officials and their moderating influence on government policies. [REDACTED]

[REDACTED]

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Guinea: The deputy chief of staff of the Guinean armed forces has been arrested, amid signs of increased unrest within the army and growing popular dissatisfaction with President Touré's radical government. The arrest of the officer, long considered to be the person most capable of leading a revolt against the government, may have been a precautionary move by Touré rather than the result of any evidence of plotting. Although the elements for violent change seem present, intensive regime security measures and the party's pervasive informant system will make it difficult for dissidents in the army to coalesce into a meaningful opposition group. [REDACTED]

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Anguilla: Most of the Caribbean members of the Commonwealth reluctantly approve of the British intervention in Anguilla. The only official opposition thus far has come from Prime Minister Williams of Trinidad, who has publicly criticized the use of force. Government leaders in Guyana and Barbados have endorsed the move. As expected, some prominent political figures, such as pro-Communist leader Cheddi Jagan of Guyana, have strongly criticized the armed intervention. [REDACTED]

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Malaysia: Kuala Lumpur will hold its first general election in five years on 10 May. Prime Minister Rahman's Alliance Party may lose a few parliamentary seats but anticipates an easy victory. It faces some trouble in Sarawak State, however, where those favoring greater local autonomy could prevail because of divisions in the coalition. Some politicians may well use the dispute with the Philippines over Sabah to stir popular sentiment in their favor. [REDACTED]

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NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board on 20 March 1969 approved the following national intelligence estimate:

NIE 80/90-1-69, "The Potential for
Revolution in Latin
America"

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